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RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 000622

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TAGS: [ECON](#) [ETRD](#) [EFIN](#) [PREL](#) [KPAO](#) [KIPR](#) [ECPS](#) [CH](#)

SUBJECT: XINHUA RENEWS PRESSURE ON FOREIGN MEDIA PROVIDERS

REF: A. 06 BEIJING 24029

[1](#)B. 06 BEIJING 20678

[1](#)C. 06 BEIJING 19547

[1](#)D. 06 BEIJING 19133

Classified By: Christopher Beede, Acting Minister Counselor for Economic Affairs.
Reasons 1.4 (b/d)

Summary

[1](#)1. (C) Representatives of the Associated Press (AP), Reuters, and Dow Jones (DJ) recently told emboffs that Xinhua is using the occasion of foreign financial wire services renewing their annual licenses to require them to sign distribution agreements with China Economic Information Service (CEIS), which is wholly owned by Xinhua. So far, CEIS is the only distributor that Xinhua has designated. AP's representative says that Xinhua is also pressuring AP's local photo distributor to step aside for CEIS. Since Xinhua has not released implementing rules for its September 2006 "Measures for Administering the Release of News and Information in China by Foreign News Agencies," Xinhua can interpret the regulations to its competitive benefit. Lu Wei, Vice-President of Xinhua News, is described by one business representative as the driving force behind these new regulations and Lu is banking his career on this. United States information providers also believe that Xinhua News President Tian Congmin is using the media rules to build Xinhua into a competitive financial information provider in China. We suggest that Xinhua's recent moves be raised in upcoming SED Services and Transparency Dialogues. End Summary.

Financial Information Providers

[1](#)2. (C) According to representatives from Reuters and DJ, Xinhua is linking the renewal of foreign financial information providers' licenses to signing distribution contracts with a Xinhua-designated distributor. The foreign financial information providers normally renew their licenses around February-March. A senior representative of Reuters Group China, told emboffs on January 22 that Reuters received its annual license renewal papers with a new clause that requires Reuters to attach a copy of a contract with a Xinhua-designated distributor. The Xinhua wholly owned firm

CEIS is the only Xinhua designated distributor so far. The representative added that Xinhua wants Reuters to provide a complete list of all its customers in China with its application. Xinhua News officials have told him that all foreign news wires must follow the new regulations.

13. (C) A DJ Newswire representative confirmed by telcon from Hong Kong to econoff on January 22 that DJ received the same clause, and averred that Bloomberg did as well. The DJ representative said that he had been pressured by Xinhua two to three months ago to enter into an agreement with CEIS, and commented, "It looks like we are unable to renew."

14. (C) Reuters and DJ told Emboffs that contracting with CEIS for distribution is not commercially attractive, because their business models are based on direct distribution.

Photo Providers

15. (C) The AP representative says that photo providers are not required to have a distributor, but any distributor that does contract with a foreign firm must be licensed by Xinhua. AP currently has a mutually profitable distribution contract with the Chinese firm, "Imagine China." In early January, however, Xinhua pressured Imagine to send AP a letter seeking to break its contract with AP. This would force AP to either distribute its own material, which is not commercially feasible since AP lacks the necessary business structure in China, or sign a distribution contract with CEIS. AP has not yet responded to the Imagine letter. CEIS has a history of violating AP's IPR rights, and is an unwelcome business partner, the AP representative said.

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16. (C) The AP representative stressed that Imagine has tried to register with the Foreign Information Administration Center (FIAC), which is part of Xinhua, so that it can become a designated distributor. So far, Imagine has received evasive answers about how to register. He added that, without implementing regulations for the media regulations issued in September 2006, the registration process for a Chinese distributor with FIAC is "opaque," thereby thwarting Imagine's effort to be licensed by Xinhua.

News Providers

17. (C) AP also reports that Xinhua said that if AP wants to provide news, it must obtain a license with a clause requiring a Xinhua designated distributor.

Earlier Senior-level Commitments Not Being Honored

18. (C) After Xinhua issued the new regulations September 10, the European Union obtained assurances from Prime Minister Wen Jiabao, who declared at a September news conference in London that the rules regarding foreign media had not changed. According to the AP representative, a senior Xinhua official made similar assurances to AP executives in New York in late December regarding AP's photo distribution operations. Xinhua officials have recently told local foreign financial information, photo and news providers, however, that the Xinhua regulations must be honored, regardless of earlier statements at a political level.

Who's in Charge?

19. (C) The Reuters representative noted that Xinhua's media regulations fall under the State Council Information Office's (SCIO's) jurisdiction. Cai Mingzhao, Vice Minister of Financial Information and News for SCIO, would like to raise the issue of the September 2006 media regulations with Xinhua

News, but is reluctant because of his troubled past with Xinhua News Agency President Tian Congmin. When Tian became President, Cai left his Vice President post because the two men did not get along. According to the Reuters representative, Cai fears that his raising the issue would be viewed by others as a personal attack on Minister Tian. Moreover, the Xinhua regulatory offensive is strongly backed by the Propaganda Department of the Communist Party. This factor has made other government agencies reluctant to face Xinhua head on.

¶10. (C) The representative added that Lu Wei, Vice-President of Xinhua News, is the driving force behind these new regulations and is banking his career on this. Lu runs the day-to-day operations of Xinhua News, and is considered the number two in the organization. Lu's protégé, Xinhua Foreign Affairs Office Deputy Director General (DDG) Zhou Zongmin, will likely become Director General (DG) when the current DG retires in mid-February.

Latest Power/Money Grab by Xinhua?

¶11. (C) United States information providers believe that the recent Xinhua moves are a thinly veiled cover for Xinhua President Tian Congmin to build Xinhua into a competitive financial information provider in China. Xinhua's current regulatory scheme requires providers like Reuters to give Xinhua a terminal to receive the provider's package of financial information services, including risk-management software programs. The company representatives believe Xinhua can reverse engineer this package. Xinhua has also reportedly received a RMB 500 million budget this year to modernize its financial services platform.

Next Steps

¶12. (C) Embassy recommends raising Xinhua's recent moves in the upcoming Strategic Economic Dialogue (SED) Services and Transparency Dialogues, and we will further outline our concerns to SED visitors from Washington during the week of

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January 29. Xinhua DDG Zhou Zongmin has just turned down Embassy's request for an appointment in the week of January 29 due to travel, but his staff suggests a later meeting may be possible. We further recommend Washington at an early date send a letter from USTR Schwab and Secretary Gutierrez to Vice Premier Wu Yi about this worrisome issue.

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